



Department of Justice

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JUSTICE DEPARTMENT SUES TO BLOCK DAIRY FARMERS OF AMERICA INC.'S ACQUISITION OF SODIAAL NORTH AMERICA CORPORATION

Merger Would Reduce Competition in the Sale of Branded Butter in New York, Philadelphia Metropolitan Areas

WASHINGTON, D.C. -- The Department of Justice today filed a civil antitrust lawsuit to block Dairy Farmers of America Inc. from acquiring the assets of SODIAAL North America Corporation because the transaction would result in higher prices for branded butter in the New York and Philadelphia metropolitan areas. Dairy Farmers of America Inc. makes "Breakstone" butter and SODIAAL makes "Keller's" and "Hotel Bar."

The Department's Antitrust Division filed a complaint today in U.S. District Court in Philadelphia, charging that, if consummated, the merger would reduce competition in the sale of branded butter sold at retail outlets in the New York and Philadelphia regions. At the same time, the Department asked the Court for a temporary restraining order preventing Dairy Farmers of America Inc. and SODIAAL from consummating the transaction until the Court rules on a motion for a preliminary injunction to prohibit the transaction.

"No one should have to pay higher prices for an American staple such as butter," said Joel I. Klein, Assistant Attorney General of the Department's Antitrust Division. "Unless this deal is blocked, that's exactly what will happen in the New York and Philadelphia metropolitan areas. We brought this suit to preserve competition by preventing the elimination of a strong independent competitor."

Butter, sold both as quarter-pound sticks and in tubs in whipped form, is advertised as a special by retailers to attract customers to stores. Many consumers consider branded butter to be a superior product and pay a premium for it.

According to the lawsuit, Dairy Farmers of America Inc. and SODIAAL are two of only three principal suppliers of retail branded butter in the New York and Philadelphia metropolitan areas. The complaint states that the two companies compete directly and aggressively on the basis of price, promotional allowances, service, brand support, product improvements, and other facets of competition in the sale of branded butter in these areas.

Dairy Farmers of America Inc. manufactures and markets a variety of dairy products across the United States, including the “Breakstone” brand of butter, which is sold in retail channels throughout the East Coast. SODIAAL manufactures and markets the “Keller’s” and “Hotel Bar” brands of butter for sale in the northeastern United States.

In the greater Philadelphia and New York metropolitan areas, approximately 80 percent of butter sold at retail outlets is sold in stick form. Nearly all of the remaining 20 percent of butter is whipped and is typically sold in half-pound tubs.

According to the complaint, Hotel Bar accounts for 27.8 percent of branded stick butter sales and 14.6 percent of branded whipped butter sales in the New York metropolitan area. In the New York area, Breakstone accounts for 11.7 percent of branded stick butter sales and 47.1 percent of branded whipped butter sales. In the Philadelphia metropolitan area, Keller’s accounts for 43.6 percent of branded stick butter sales and 26.5 percent of branded whipped butter sales. In that area, Breakstone accounts for 1.3 percent of branded stick butter sales and 23.8 percent of branded whipped butter sales. If the merger were allowed to proceed, Dairy Farmers of America

Inc. and one other supplier would control almost 100 percent of branded butter sales in these markets.

Dairy Farmers of America Inc. is an agricultural cooperative based in Kansas City, Missouri. It owns and operates dairy processing plants throughout the United States, including butter-producing plants in Winnsboro, Texas, and Goshen, Indiana. In 1998, the company had net sales of approximately \$7.3 billion.

SODIAAL, headquartered in Harleysville, Pennsylvania, is a privately-held subsidiary of a French cooperative. It owns and operates one butter-producing plant, Mayfair Creamery, in Somerset, Pennsylvania. In 1998, SODIAAL had net sales of approximately \$238 million.

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